annual report 1983-84

85-3654/

Alberta
UTILITIES AND
TELECOMMUNICATIONS

Office of the Minister

228 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-3016

Honourable G. Amerongen, Speaker
Legislative Assembly of Alberta
325 Legislature Building
Edmonton, Alberta
T5K 2B6

Sir:

It is my pleasure to submit the Annual Report of the Electric Energy Marketing Agency for the year ended March 31, 1984.

Respectfully submitted,

Bob Bogle

Bob Bogle, Minister
Utilities and Telecommunications

ALBERTA ELECTRIC ENERGY MARKETING AGENCY

Suite 700, 10339 - 124 St., Edmonton, Alberta T5N 3W1. Phone (403) 422-1722

The Honourable Bob Bogle
Minister of Utilities and
Telecommunications

Sir:

I have the honour to submit herewith a report covering the activities of the Electric Energy Marketing Agency for the fiscal year ended March 31, 1984.

Respectfully submitted,

V. A. MacNichol
Chairman

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FORWARD

Pursuant to statutory requirements, the Alberta Electric Energy Marketing Agency (AEEMA) submits an annual general report to the Minister of Utilities and Telecommunications. This is the second annual report.

The Electric Energy Marketing Act, proclaimed April 15, 1982, and the subsequent Regulations provide the legislative mandate for the Agency to continue its work towards reducing electric energy cost differentials province wide.

In an effort to achieve this objective, the Agency purchases the electric energy produced by TransAlta Utilities Corporation (TAU), Alberta Power Limited (APL) and Edmonton Power at the end of transmission at a price approved by the Public Utilities Board, pools the energy cost and resells it to the utilities at a pooled price. The Agency also administers a 5-year shielding program which is scheduled to expire August 31, 1987. This program shields the utilities which are low-cost producers of electric power in Alberta, and allows their customers a limited period to adjust to the slightly higher costs caused to them by cost-pooling at the end of transmission. Provincial shielding payments between April 1983 and the end of March 1984 totalled $58,148,490.

The City of Medicine Hat owns its own natural gas and power plant and is not a participant in the Agency.

For purposes of the Utility Companies Income Tax Rebates Act, the Agency is designated as a wholesale customer of the three generating utilities. As such, in Alberta, 95 percent of the federal income tax paid by the utility companies and 100 percent of the provincial income tax is flowed back to the utilities for the benefit of their customers. This rebate is administered by the Provincial Treasurer.

The Agency fully acknowledges the integrity of the long-established regulatory system in place in Alberta — the Public Utilties Board (PUB) and the Energy Resources Conservation Board (ERCB).

RELATIONSHIPS WITH REGULATORY AND PLANNING BODIES

The Electric Energy Marketing Agency has appeared as an intervenor in the public hearing process before the two principal regulatory boards in the province: the Public Utilities Board (PUB) and Energy Resources Conservation Board (ERCB). In addition, the Agency has continued to be an observing member of the Electric Utility Planning Council (EUPC).

AGENCY POOLING PROCESS

The Agency uses a cost-pooling concept which is applied at the end of transmission (the "wholesale" level) to costs approved by the Public Utilities Board. Its resale rate structure is designed to encourage the attainment of a high degree of economic dispatch within the system. For the year ended March 31, 1984 the Agency's total purchases were $820,897,109 (gross) as shown in Table 1 and graphically displayed in Figure 1.

TABLE 1

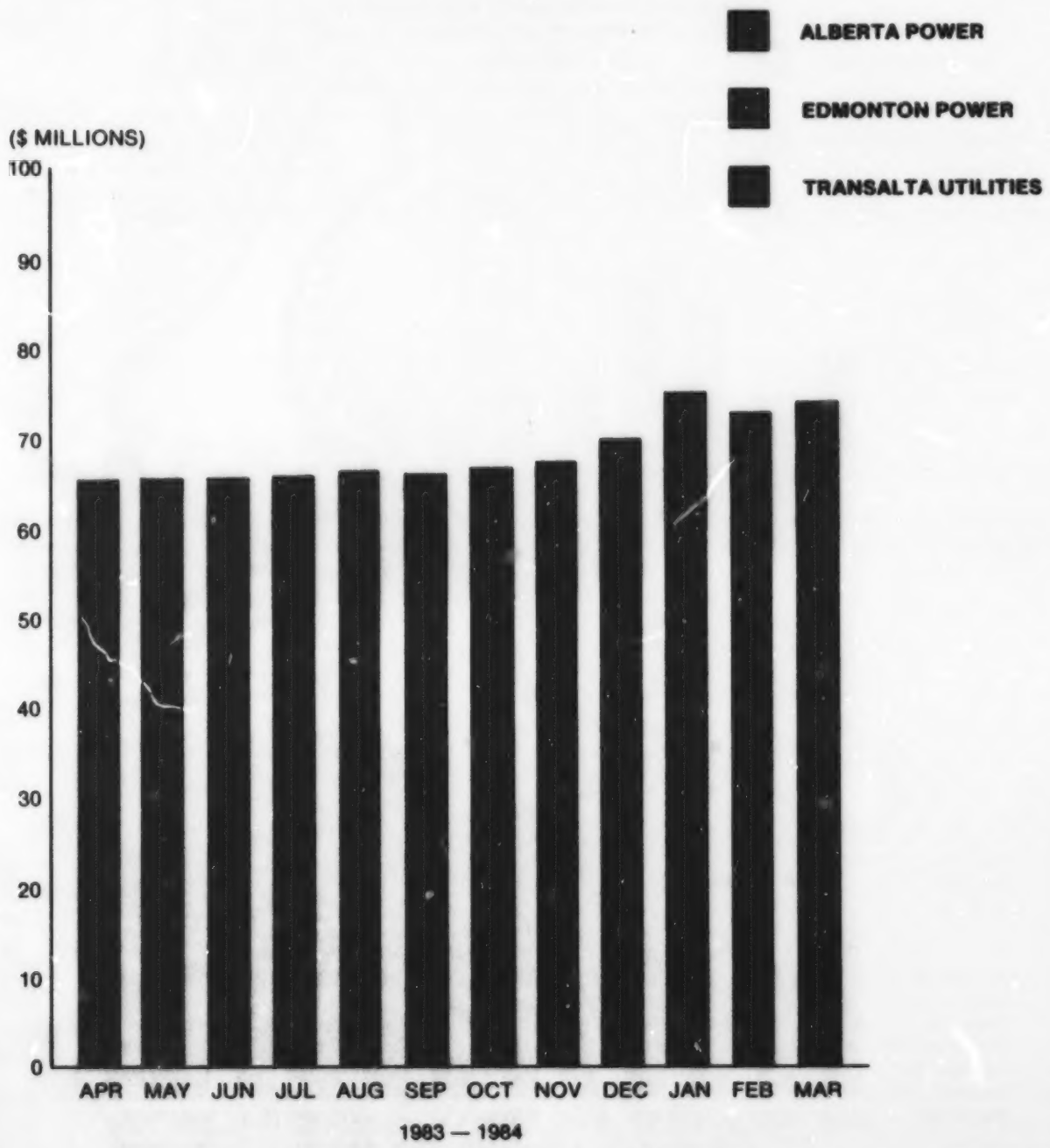
ALBERTA ELECTRIC ENERGY MARKETING AGENCY
PURCHASE OF ELECTRIC ENERGY FROM UTILITIES
FOR THE YEAR ENDED MARCH 31, 1984
(AFTER INCOME TAX REBATE)

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Total Purchase
April '83	$ 14,094,752	$ 14,835,467	$ 36,476,355	$ 65,406,574
May '83	13,859,502	15,094,418	36,649,485	65,603,405
June '83	13,934,407	15,215,132	36,601,635	65,751,174
July '83	13,776,403	15,454,613	36,679,065	65,910,081
August '83	13,873,546	15,822,596	36,882,645	66,578,787
September '83	14,086,559	15,238,496	36,741,270	66,066,325
October '83	14,149,761	15,520,811	37,091,010	66,761,582
November '83	14,256,267	15,832,331	37,285,020	67,373,618
December '83	14,792,310	16,942,121	38,087,160	69,821,591
January '84	14,704,310	14,009,215	46,070,630	74,784,155
February '84	14,237,321	13,263,372	45,418,440	72,919,133
March '84	14,562,692	13,545,697	45,812,295	73,920,684
TOTAL	$170,327,830	$180,774,269	$469,795,010	$820,897,109 [1]

[1] This total is a gross total. The net total after adjustments is $812,492,851. These adjustments are made necessary due to the use of estimates of purchases which are adjusted for in subsequent months.

FIGURE 1

PURCHASE OF ELECTRIC ENERGY
BY EEMA FROM UTILITIES BY MONTH
($ MILLIONS)



Energy purchased and sold to the three generating utilities by month is shown in Table 2 and is graphically displayed in Figure 2.

TABLE 2

ALBERTA ELECTRIC ENERGY MARKETING AGENCY
ENERGY PURCHASED FROM UTILITIES
FOR THE YEAR ENDED MARCH 31, 1984
(IN GW.h)

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Total
April '83	288.00	366.10	1,223.30	1,877.40
May '83	267.90	379.40	1,263.10	1,910.40
June '83	274.30	385.60	1,252.10	1,912.00
July '83	260.80	397.90	1,269.90	1,928.60
August '83	269.10	416.80	1,316.70	2,002.60
September '83	287.30	386.80	1,284.20	1,958.30
October '83	292.70	401.30	1,364.60	2,058.60
November '83	301.80	417.30	1,409.20	2,128.30
December '83	347.60	474.30	1,593.60	2,415.50
January '84	347.60	442.50	1,503.80	2,293.90
February '84	307.70	389.40	1,334.40	2,031.50
March '84	335.50	409.50	1,436.70	2,181.70
TOTAL	3,580.30	4,866.90	16,251.60	24,698.80

GW.h (gigawatt hour): a unit of measurement of electricity equivalent to 1 million kilowatt hours.

EEMA purchases all the energy generated by TransAlta Utilities Corporation, Edmonton Power and Alberta Power Limited at the end of transmission at rates approved by the Public Utilities Board. The Agency then pools the costs of such energy and resells the electric energy at a pooled price to the aforementioned utilities at the same pooling points at which the energy was purchased. Effective net "transfer" payments between the utilities is the result (see Table 3). Figure 3 graphically describes transfer payments received by Alberta Power and Edmonton Power.

TABLE 3

ALBERTA ELECTRIC ENERGY MARKETING AGENCY
TRANSFER PAYMENT TO UTILITY COMPANIES
FOR THE YEAR ENDED MARCH 31, 1984

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Total
April '83	$ 4,571,040	$ 824,212	$ 0	$ 5,395,252
May '83	4,516,557	987,224	0	5,395,252
June '83	4,518,530	1,028,861	0	5,547,391
July '83	4,472,149	1,160,524	0	5,632,673
August '83	4,493,347	1,359,719	0	5,853,066
September '83	4,571,967	1,057,148	(939,823)	4,689,292
October '83	4,610,883	1,246,448	(985,466)	4,871,865
November '83	4,657,656	1,450,081	(1,035,547)	5,072,190
December '83	4,775,724	2,439,764	(1,257,098)	5,958,390
January '84	3,853,866	(312,367)	(272,406)	3,269,093
February '84	3,670,453	(386,110)	(161,981)	3,122,362
March '84	3,808,918	(355,923)	(219,860)	3,233,135
TOTAL	$ 52,521,090	$ 10,499,581	($ 4,872,181)	$ 58,148,490

FIGURE 2

PURCHASE OF ELECTRIC ENERGY BY EEMA FROM UTILITIES (GW.h)

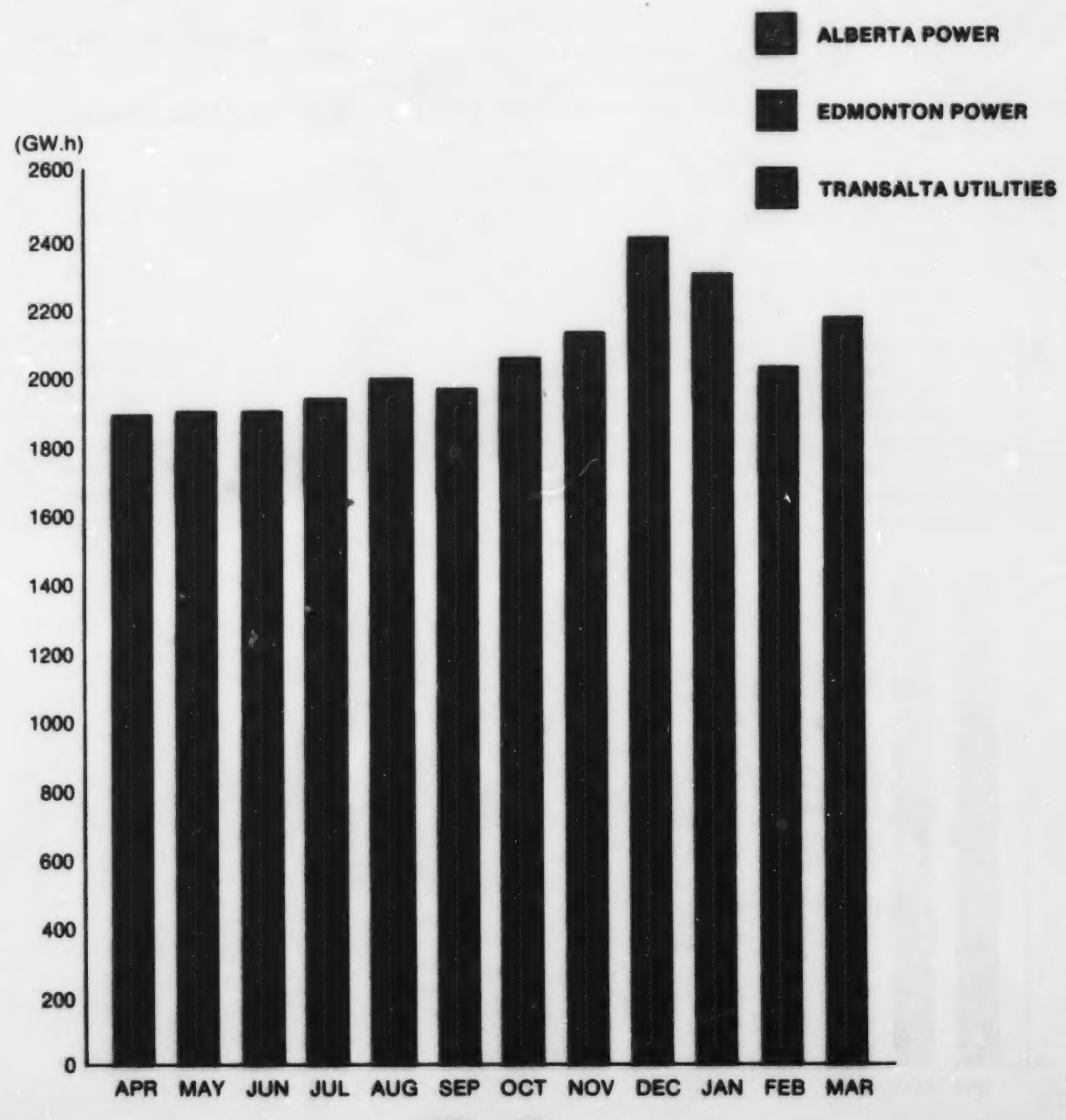
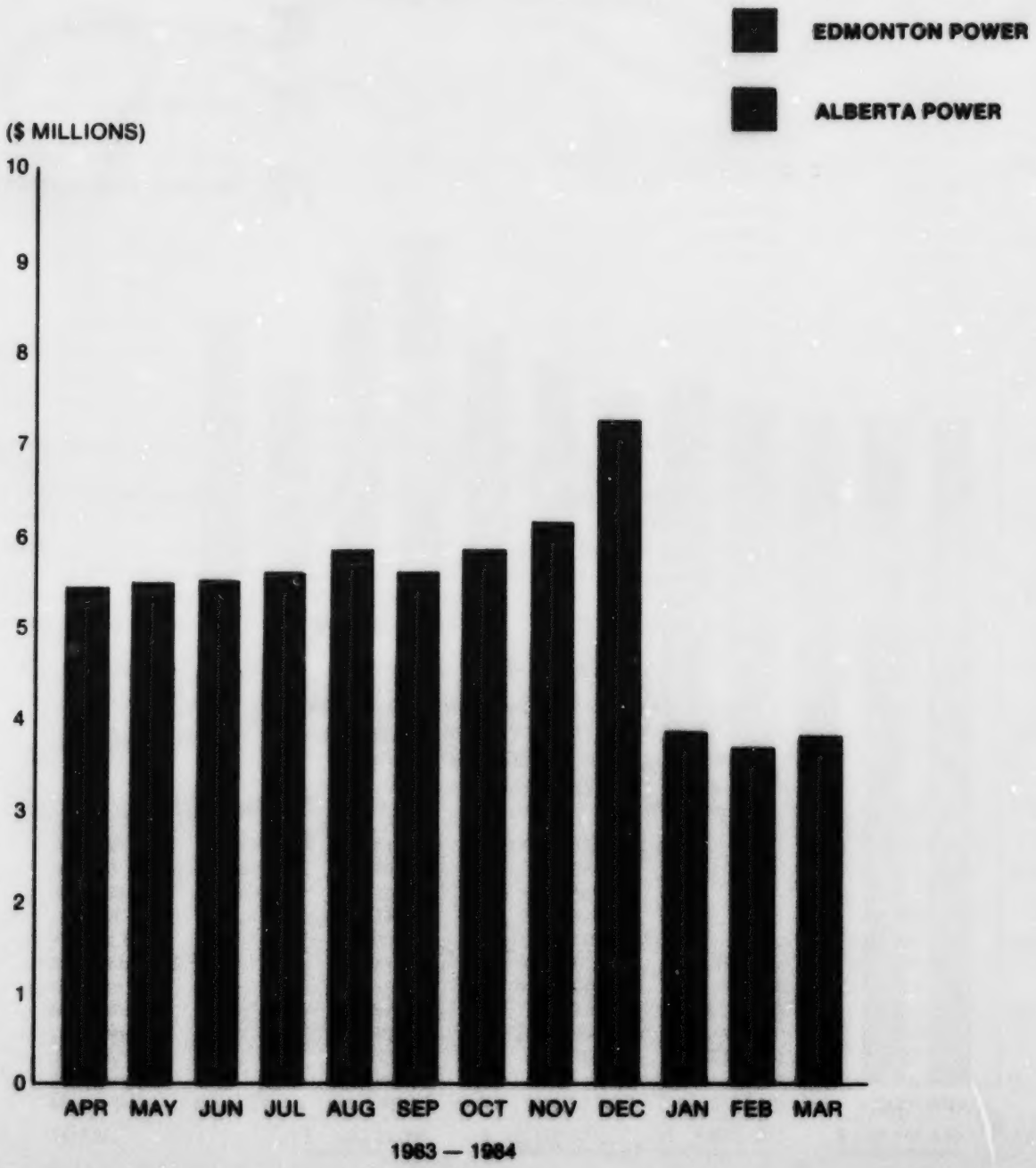


FIGURE 3

NET TRANFER MOVEMENTS TO UTILITIES BY MONTH ($ MILLIONS)



The five year phase-out of shielding is being incrementally reduced annually and is scheduled to be phased out on August 31, 1987. The value of shielding between April 1983 and March 1984 is shown in Table 4.

TABLE 4

ALBERTA ELECTRIC ENERGY MARKETING AGENCY
SHIELDING TO UTILITY COMPANIES
FOR THE YEAR ENDED MARCH 31, 1984

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Total
April '83	$ 0	$ 0	$ 5,395,252	$ 5,395,252
May '83	0	0	5,503,781	5,503,781
June '83	0	0	5,547,391	5,547,391
July '83	0	0	5,632,673	5,632,673
August '83	0	0	5,853,066	5,853,066
September '83	0	0	4,689,292	4,689,292
October '83	0	0	4,871,865	4,871,865
November '83	0	0	5,072,190	5,072,190
December '83	0	0	5,958,390	5,958,390
January '84	0	1,249,469	2,019,624	3,269,093
February '84	0	1,544,440	1,577,922	3,122,362
March '84	0	1,423,694	1,809,441	3,233,135
TOTAL	$ 0	$ 4,217,603	$ 53,930,887	$ 58,148,490

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Minister of Utilities
and Telecommunications

I have examined the balance sheet of the Alberta Electric Energy Marketing Agency as at March 31, 1984 and the statements of capital surplus and revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Agency as at March 31, 1984 and the results of its operations for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding period.

F.C.A.
Auditor General

Edmonton, Alberta
July 4, 1984

Statement A

ALBERTA ELECTRIC ENERGY MARKETING AGENCY
BALANCE SHEET
AS AT MARCH 31, 1984

Assets

	1984	1983
Current:		
Deposits in trust (Note 3)	$ 4,741,345	$ 2,098,470
Accounts receivable	1,576,684	406,918
Prepaid expenses	1,219	—
	6,319,248	2,505,388
Fixed:		
Equipment, at cost	21,884	17,187
	$ 6,341,132	$ 2,522,575

Liabilities

	1984	1983
Current:		
Accounts payable	$ 2,009,542	$ 27,889
Capital surplus	21,884	17,187
Due to the Province of Alberta	4,309,706	2,477,499
	$ 6,341,132	$ 2,522,575

The accompanying notes are part of these financial statements.

Statement B

ALBERTA ELECTRIC ENERGY MARKETING AGENCY
STATEMENT OF CAPITAL SURPLUS
FOR THE YEAR ENDED MARCH 31, 1984

	1984	1983 (Note 5)
Balance at beginning of year	$ 17,187	$ —
Add: Purchases of equipment	4,697	17,187
Balance at end of year	$ 21,884	$17,187

Statement C

ALBERTA ELECTRIC ENERGY MARKETING AGENCY
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1984

Revenue

	1984	1983 (Note 5)
Sales of electric energy	$812,492,851	$449,627,682
Interest, net (Note 4)	210,231	—
	812,703,082	449,627,682

Expenditure

	1984	1983
Purchases of electric energy	812,492,851	449,627,682
Shielding grants	57,141,631	51,840,354
Operating expenses, Schedule 1	466,384	309,097
	870,100,866	501,777,133
Excess of expenditure over revenue	57,397,784	52,149,451
Contribution by the Province of Alberta	57,397,784	52,149,451
	$ —	$ —

ALBERTA ELECTRIC ENERGY MARKETING AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1984

Note 1 **Authority**

The Alberta Electric Energy Marketing Agency operates under the authority of the Electric Energy Marketing Act, Chapter E-4.1, Statutes of Alberta 1981. The Act was proclaimed in force on April 15, 1982. Purchase and sale of electric energy, and payment of shielding grants commenced on September 1, 1982. Shielding grants are paid pursuant to the Department of Utilities and Telephones Act, Chapter D-31, Revised Statutes of Alberta 1980.

Note 2 **Significant Accounting Policies**

(a) General:

These financial statements have been prepared in accordance with generally accepted accounting principles except that the cost of equipment is charged to operations in the year of acquisition. Equipment is shown in the balance sheet at cost, with an offsetting credit to capital surplus.

(b) Administration Expenses:

The costs of office accommodation and certain other administration expenses are provided from the General Revenue Fund of the Province of Alberta, and accordingly are not reflected in these financial statements.

(c) Approval by the Public Utilities Board:

The Public Utilities Board approves interim and final rates at which electric energy is sold to the Alberta Electric Energy Marketing Agency. The Board's approval of the final rate for a year is provided after the Agency's year end. Any adjustments resulting from the approval of the final rate is reflected in the current year.

(d) Changes in Financial Position:

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 **Deposits in Trust**

Deposits in trust consist of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. Interest of $385,982 earned on Deposits in Trust has been credited to the General Revenue Fund of the Province of Alberta, and accordingly is not reflected in these financial statements.

Note 4 **Interest, Net**

Interest, net consists of interest charged to and received from utility companies on adjustments of the purchase and sale price of electric energy resulting from approval of final rates.

Note 5 **Comparative Figures**

The comparative figures in Statements B and C are for the period September 1, 1982 to March 31, 1983.

Note 6 **Approval of Financial Statements**

These financial statements were approved by management on July 4, 1984.

Schedule 1

ALBERTA ELECTRIC ENERGY MARKETING AGENCY
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 1984

	1984	1983
Salaries and wages	$ 268,824	$ 179,458
Legal and consulting services	103,542	53,349
Employee benefits	31,047	18,778
Travel and hospitality	22,342	23,839
Books and periodicals	13,501	1,176
Printing, stationery and supplies	12,796	10,024
Equipment rental	6,720	4,773
Equipment	4,697	17,187
Freight, postage and telephone	1,766	513
Repair and maintenance	1,149	—
	$ 466,384	$ 309,097